

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Menominee Housing Commission	County Menominee
Audit Date 3/31/05	Opinion Date 6/28/05	Date Accountant Report Submitted to State: 8/24/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

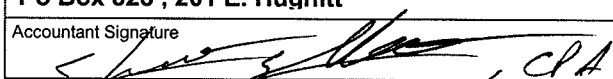
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).	✓		
Single Audit Reports (ASLGU).	✓		

Certified Public Accountant (Firm Name) Anderson, Tackman & Company, PLC			
Street Address Po Box 828 , 201 E. Hughitt	City Iron Mountain	State MI	ZIP 49801
Accountant Signature 		Date 9-6-05	

MENOMINEE HOUSING COMMISSION

REPORT ON FINANCIAL STATEMENTS

(with supplemental information)

For the Year Ended March 31, 2005

MENOMINEE HOUSING COMMISSION

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ANDERSON, TACKMAN & COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

A Regional Firm with Offices in Michigan and Wisconsin

Principals - Iron Mountain:
L. Robert Schaut, CPA
David J. Johnson, CPA
Shane M. Ellison, CPA

Member of:
Private Companies Practice Section
American Institute of Certified
Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Menominee Housing Commission
Menominee, Michigan

We have audited the accompanying basic financial statements of the business-type activities of the Menominee Housing Commission as of and for the year ended March 31, 2005 as listed in the table of contents. These basic financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Menominee Housing Commission as of March 31, 2005, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with "Government Auditing Standards", we have also issued our report dated June 28, 2005 on our consideration of the Menominee Housing Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with "Government Auditing Standards" and should be considered in assessing the results of our audit.

As described in Note A to the financial statements, the Commission adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Financial Statements and Management's Discussion and Analysis-For State and Local Governments* and Governmental Accounting Standards Board Statement No. 37, an amendment of Statement No. 34. This results in a change in the format and content of the financial statements.

The Management's Discussion and Analysis on pages 5 through 8 is not a required part of the financial statements but is required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Menominee Housing Commission's basic financial statements. The Financial Data Schedule is presented for the purpose of additional analysis as required by the U.S. Department of Urban Housing and Development and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, "*Audits of States, Local Governments, and Non-Profit Organizations*", and is also not a required part of the basic financial statements of Menominee Housing Commission. The Financial Data Schedule and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



ANDERSON, TACKMAN & COMPANY, PLC
Certified Public Accountants
Iron Mountain, Michigan

June 28, 2005

MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the Menominee Housing Commission's financial performance provides an overview of the financial activities for the year ended March 31, 2005. Please read it in conjunction with the Commission's financial statements, which begin on page 9.

FINANCIAL HIGHLIGHTS

- The Commission's net assets were reported for the first time under GASB 34. As such, no comparisons with prior years will be made. In future years, comparative information will be presented in various schedules throughout the MD&A. Net assets for the entire Commission were reported at \$2,715,805.
- During the year, the Commission's operating revenues totaled \$857,593, or 99% of total revenues, while operating expenses totaled \$1,024,254 or 100% of total expenses.

USING THIS REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets, Statement of Activities and the Statement of Revenues, Expenses and Change in Net Assets (on pages 9 to 11) provide information about the activities of the Commission as a whole and present a longer-term view of the Commission's finances.

REPORTING THE COMMISSION AS A WHOLE

Our analysis of the Commission as a whole begins on page 9. One of the most important questions asked about the Commission's finances is "Is the Commission, as a whole, better off or worse off as a result of the year's activities?" The Statement of Net Assets, Statement of Activities and the Statement of Revenues, Expenses, and Change in Net Assets report information about the Commission as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Commission's *net assets* and changes in them. You can think of the Commission's net assets – the difference between assets and liabilities – as one way to measure the Commission's financial health, or *financial position*. Over time, *increases or decreases* in the Commission's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the population of low income and elderly individuals.

In the Statement of Net Assets, Statement of Activities and the Statement of Revenues, Expenses, and Change in Net Assets, the Commission's activities are reported as business-type activities:

- Business-type activities – The Commission charges rent to tenants to help it cover all or most of the costs of services it provides.

REPORTING THE COMMISSION'S MOST SIGNIFICANT FUNDS

Our analysis of the Commission's major activities begins on page 9. The financial statements provide detailed information on all of the Commission's activities. The Commission uses proprietary funds to account for its activities. The method of accounting for proprietary funds is explained below.

- *Proprietary funds* – The Commission charges tenants rent for the housing services it provides and these services are reported in a proprietary fund. Proprietary funds are reported in the same way for its activities and are reported in the Statement of Net Assets and the Statement of Revenues, Expenses, and Change in Net Assets.

THE COMMISSION AS A WHOLE

The Commission's combined net assets at March 31, 2005 decreased \$(158,118) from March 31, 2004.

Table 1

NET ASSETS

Assets	
Current assets	\$ 668,483
Capital assets (net)	<u>2,152,230</u>
Total assets	<u>2,820,713</u>
Liabilities	
Current liabilities	89,295
Non-current liabilities	<u>15,613</u>
Total liabilities	<u>104,908</u>
Net Assets	
Invested in capital assets, net of related debt	2,152,230
Unrestricted	<u>563,575</u>
Net Assets	\$ <u>2,715,805</u>

Net assets of the Commission stood at \$2,715,805. Unrestricted net business assets were \$563,575. In general, the Commission's unrestricted net assets are used to fund operations of the Commission.

Table 2
CHANGE IN NET ASSETS

Revenues:		
Program revenues:		
Charges for services	\$	287,758
Program grants & subsidies		563,070
General revenues:		
Other income		8,743
Unrestricted investment earnings		<u>6,565</u>
Total revenues		866,136
Program Expenses:		
Operating expenses		<u>(1,024,254)</u>
Change in net assets		(158,118)
Net assets – beginning of period		<u>2,873,923</u>
Net assets – end of period		<u>\$2,715,805</u>

BUSINESS-TYPE ACTIVITIES

Revenues for the Commission totaled \$866,136. The Commission's average unit months leased on a monthly basis had decreased during the current year. In addition, HUD operating funds and capital funding grants had increased during the current year. The Commission depends on HUD operating and capital grants to assist in covering its operating expenses.

CAPITAL ASSETS

Capital Assets

At the end of fiscal 2005, the Commission had \$7,333,350 invested in a variety of capital assets including land, equipment and buildings as follows:

Table 3

CAPITAL ASSETS AT MARCH 31, 2005
Business – Type Activity

Land and improvements	\$ 485,049
Buildings and improvements	6,615,546
Equipment	230,633
Construction-in-progress	<u>2,122</u>
Total cost	7,333,350
Less accumulated depreciation	<u>(5,181,120)</u>
NET CAPITAL ASSETS	\$ <u>2,152,230</u>

The Commission invested \$130,878 in capital assets during the year ended March 31, 2005.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Commission's appointed officials considered many factors when setting the budget for the fiscal year 2005/2006. The current availability of low income and elderly tenants has been a major contributing factor in establishing the budgeted amounts. In the upcoming year, we do not anticipate any significant change in the occupancy rate and availability of new tenants that will provide any substantial increase in revenues. There continues to be a variety of inflationary cost and expense issues out of the control of the Commission. All of these were taken into consideration during the 2005/2006 budget process.

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designed to provide the readers with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Commission's Executive Director, Bonnie Ruleau, at 1801 8th Avenue, Menominee, Michigan 49858, or call 906-863-8717.

MENOMINEE HOUSING COMMISSION

**STATEMENT OF NET ASSETS
Proprietary Fund**

March 31, 2005

CURRENT ASSETS:

Cash and equivalents	\$ 79,115
Accounts receivable	12,496
Investments	554,519
Prepaid expenses	<u>22,353</u>

TOTAL CURRENT ASSETS	<u>668,483</u>
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NONCURRENT ASSETS:

Capital assets	7,333,350
Less accumulated depreciation	<u>(5,181,120)</u>

NET CAPITAL ASSETS	<u>2,152,230</u>
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TOTAL ASSETS	<u>\$ 2,820,713</u>
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CURRENT LIABILITIES:

Accounts payable	\$ 26,597
Accrued liabilities	<u>62,698</u>

TOTAL CURRENT LIABILITIES	89,295
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NONCURRENT LIABILITIES	<u>15,613</u>
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TOTAL LIABILITIES	<u>104,908</u>
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NET ASSETS:

Investment in capital assets, net of related debt	2,152,230
Unrestricted net assets	<u>563,575</u>

NET ASSETS	<u>\$ 2,715,805</u>
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The accompanying notes to financial statements are an integral part of this statement.



**ANDERSON, TACKMAN
& COMPANY, P.L.C.**
CERTIFIED PUBLIC ACCOUNTANTS

MENOMINEE HOUSING COMMISSION

STATEMENT OF ACTIVITIES

For the Year Ended March 31, 2005

FUNCTIONS/PROGRAMS	Program Revenue			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
BUSINESS-TYPE ACTIVITIES:				
Public Housing	\$ 1,024,254	\$ 287,758	\$ 563,070	\$ -
				\$ (173,426)
General revenues:				
Unrestricted investment earnings				6,565
Other				8,743
Total general revenues				15,308
Change in net assets				(158,118)
NET ASSETS, beginning of year				2,873,923
NET ASSETS, end of year				\$ 2,715,805

The accompanying notes to the financial statements are an integral part of this statement.

MENOMINEE HOUSING COMMISSION

**STATEMENT OF REVENUES, EXPENSES, AND CHANGE
IN NET ASSETS
Proprietary Fund**

For the Year Ended March 31, 2005

OPERATING REVENUES:

Tenant revenue	\$ 287,758
Program grants-subsidies	563,070
Other income	<u>6,765</u>

TOTAL OPERATING REVENUES	<u>857,593</u>
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OPERATING EXPENSES:

Administration	156,853
Tenant services	6,565
Utilities	71,354
Maintenance	198,380
General	37,262
Housing assistance payments	191,977
Depreciation	<u>361,863</u>

TOTAL OPERATING EXPENSES	<u>1,024,254</u>
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OPERATING (LOSS)	<u>(166,661)</u>
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OTHER INCOME (EXPENSES):

Interest income	6,565
Gain on sale of fixed assets	<u>1,978</u>

TOTAL OTHER INCOME (EXPENSES)	<u>8,543</u>
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CHANGE IN NET ASSETS	(158,118)
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NET ASSETS, BEGINNING OF YEAR	<u>2,873,923</u>
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NET ASSETS, END OF YEAR	<u>\$ 2,715,805</u>
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**ANDERSON, TACKMAN
& COMPANY, P.L.C.**
CERTIFIED PUBLIC ACCOUNTANTS



The accompanying notes to financial statements are an integral part of this statement.

MENOMINEE HOUSING COMMISSION

STATEMENT OF CASH FLOWS
Proprietary Fund

For the Year Ended March 31, 2005

OPERATING ACTIVITIES:

Cash received from customers	\$ 287,974
Cash received from grants and subsidies	576,395
Cash payments to suppliers for goods and services	(444,155)
Cash payments for wages and related benefits	(220,203)
Cash payments for payment in lieu of taxes	(8,055)
Other receipts	<u>5,865</u>

NET CASH PROVIDED FROM OPERATING ACTIVITIES	<u>197,821</u>
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CAPITAL AND RELATED FINANCING ACTIVITIES:

Proceeds from sale of fixed assets	4,499
Acquisition of capital assets	<u>(130,878)</u>

NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(126,379)</u>
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INVESTING ACTIVITIES:

Purchase of investments	(201,502)
Investment income	<u>6,404</u>

NET CASH (USED) BY INVESTING ACTIVITIES	<u>(195,098)</u>
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NET (DECREASE) IN CASH AND EQUIVALENTS	(123,656)
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CASH AND EQUIVALENTS, BEGINNING OF YEAR	<u>202,771</u>
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CASH AND EQUIVALENTS, END OF YEAR	<u>\$ 79,115</u>
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RECONCILIATION OF OPERATING INCOME TO NET

CASH PROVIDED BY OPERATING ACTIVITIES:

Operating income (loss)	\$ (166,661)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	361,863
Changes in assets and liabilities:	
Decrease (Increase) in receivables	12,641
Decrease (Increase) in prepaid expenses	(3,007)
Increase (Decrease) in accounts payable	(17,044)
Increase (Decrease) in accrued liabilities	<u>10,029</u>

NET CASH PROVIDED FROM OPERATING ACTIVITIES	<u>\$ 197,821</u>
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The accompanying notes to financial statements are an integral part of this statement.



MENOMINEE HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

March 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

THE REPORTING ENTITY

The Menominee Housing Commission (Commission) was formed by the Menominee City Commission under Public Act 18 of 1933 of the State of Michigan. The Commission operates under a Board of Commissioners appointed by the City Manager.

The Commission, for financial reporting purposes, includes all of the activities relevant to its operations.

Component Unit

In evaluating how to define the Commission, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP, currently GASB Statement #14, "*The Financial Reporting Entity*".

The criteria established by the governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity's financial statements include budget adoption, taxing authority, funding, appointment of the respective governing board, and scope of public service.

Based on the foregoing criteria, it was determined that there are no component units of the Menominee Housing Commission but the Menominee Housing Commission is a component unit of the City of Menominee, Michigan.

The accounting policies of the Commission conform to accounting principles generally accepted in the United States of America. The following is a summary of such significant policies.

BASIS OF PRESENTATION

During the year the Commission adopted Governmental Accounting Standards Board (GASB) Statement No. 34, which substantially revised the financial statement presentation as described below.

Government-Wide Financial Statements:

The Statement of Net Assets, Statement of Activities and Statement of Revenues, Expenses and Change in Net Assets display information about the Commission as a whole. They include all business-type activities of the Commission. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

MENOMINEE HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

March 31, 2005

(Continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BASIS OF PRESENTATION (Continued)

Proprietary Fund

Proprietary Funds are used to account for operations (a) which are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus:

The government-wide Statement of Net Assets, Statement of Activities and the Statement of Revenues, Expenses and Change in Net Assets are presented using the economic resource measurement focus as defined below.

- a. The Commission utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets, financial position and cash flows. All assets and liabilities, whether current or noncurrent, associated with their activities are reported.

Basis of Accounting:

The Statement of Net Assets, Statement of Activities and Statement of Revenues, Expenses and Change in Net Assets are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

As allowed by GASB Statement No. 20, the Commission's business-type activity follows all GASB pronouncements and FASB Statements and Interpretations that were issued on or after November 30, 1989, except those that conflict with a GASB pronouncement.



MENOMINEE HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

March 31, 2005

(Continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSETS, LIABILITIES AND NET ASSETS

- a. Cash and Equivalents – The Commission's cash and cash equivalents as reported in the Statement of Cash Flows and the Statement of Net Assets are considered to be cash on hand, demand deposits and short-term investments with maturities of three months or less.
- b. Receivables – All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.
- c. Due to and Due From Other Programs – Interprogram receivables and payables arise from interprogram transactions and are recorded by all funds affected in the period in which transactions are executed.
- d. Capital Assets – Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated capital assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and improvements	10-40 years
Furniture and other equipment	5-10 years

The Commission has adopted a capitalization policy for capital assets of \$200 per item.

- e. Compensated Absences - It is the Commission's policy to permit employees to accumulate a limited amount of earned but unused sick leave and vacation days, which will be paid to employees upon separation from the Commission. The cost of vested sick leave and vacation days are recognized as an expense as earned by the employees.
- f. Equity Classification

Equity is classified as net assets and displayed in two components:

- 1. Invested in capital assets – Consists of capital assets, net of accumulated depreciation.
- 2. Unrestricted net assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

MENOMINEE HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

March 31, 2005

(Continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

REVENUES AND EXPENSES

Operating revenues and expenses are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing or investing activities. Expenses are classified by operating and nonoperating and are subclassified by function such as salaries, supplies and contracted services.

OTHER SIGNIFICANT ACCOUNTING POLICIES

Interprogram Activity:

As a general rule, the effect of activity between programs has been eliminated from the government-wide statements.

The transfers of cash between the various Authority programs are reported separately from revenues and expenses as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case, they are carried as assets and liabilities of the advancing or borrowing program.

Interprogram receivables and payables are eliminated from the Statement of Net Assets.

Budgets and Budgetary Accounting:

Budgets are adopted on a basis prescribed or permitted by the Department of Housing and Urban Development. All annual appropriations lapse at fiscal year end. The Commission follows these procedures in establishing the budgetary date reflected in the financial statements:

1. The Director submits to the Board a proposed operating budget for the fiscal year commencing on April 1st. The operating budget includes proposed expenses and the means of financing them. Prior to March 31st, the budget is legally adopted by Board resolution.
2. Formal budgetary integration is employed as a management control device during the year.
3. The budget has been amended. Supplemental appropriations were made during the year with the last one approved prior to March 31st.



MENOMINEE HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

March 31, 2005

(Continued)

NOTE B - CASH AND INVESTMENTS

The Commission maintains segregated cash and investment accounts which are specific to the activity to which they are available.

CASH AND EQUIVALENTS

Cash and equivalents consisted of:

Petty cash	\$ 200
Cash in checkings	48,235
Money market	<u>30,680</u>
TOTAL	\$ <u>79,115</u>

The Commission's cash and equivalents were fully insured and collateralized at March 31, 2005.

Cash and equivalents are categorized as follows:

Category 1 - Insured or registered, with securities held by the Commission or its agent in the Commission's name.

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department.

Category 3 - Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Commission's name.

	<u>Category</u>			<u>Bank</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Balance</u>
Petty cash	\$ 200	\$ -	\$ -	\$ -
Checking accounts	48,235	-	-	48,098
Money market	<u>30,680</u>	<u>-</u>	<u>-</u>	<u>30,680</u>
TOTAL	\$ <u>79,115</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>78,778</u>



MENOMINEE HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

March 31, 2005

(Continued)

NOTE B - CASH AND INVESTMENTS(Continued)

STATUTORY AUTHORITY

Michigan law (Act 196 PA 1997) authorizes the Commission to deposit and invest in one or more of the following:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution that is eligible to be a depository of funds belonging to the State under a law or rule of this State or the United States.
- c. Commercial paper rated at time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in a.
- e. Bankers' acceptance of United States Banks.
- f. Obligations of this State or any of its political subdivisions at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the investment company act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-4 to 80a-64, with the authority to purchase investment vehicles that are legal for direct investment by a public corporation.
- h. Obligation described in a. through g. if purchased through an interlocal agreement under the urban cooperation's act of 1967, 1967 (Ex Sess) PA 7, MCL 124.512.
- i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118.
- j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

Michigan law (Section 3, Act 40, PA 1932, as amended) prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.





MENOMINEE HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

March 31, 2005

(Continued)

NOTE B - CASH AND INVESTMENTS (Continued)

INVESTMENTS

Investments are stated at market value.

Investments consisted of certificates of deposit and were in accordance with State of Michigan Statutes. Those statutes do not mandate that accounts be partially or fully insured or collateralized. Investments are categorized as follows:

Category 1 - Insured or registered, with securities held by the Commission or its agent in the Commission's name.

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department.

Category 3 - Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Commission's name.

	<u>Category</u>			<u>Total</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
Certificates of deposit	\$ 21,675	\$ -	\$ -	\$ 21,675
Federal treasury obligations	<u>532,844</u>	<u>-</u>	<u>-</u>	<u>532,844</u>
TOTAL	<u>\$554,519</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$554,519</u>

The Commission's investments were fully insured and collateralized at March 31, 2005.

NOTE C - CAPITAL ASSETS

A summary of capital assets as of March 31, 2005 is as follows:

	<u>Balance</u>			<u>Balance</u>
	<u>4-1-04</u>	<u>Additions</u>	<u>Deletions</u>	<u>3-31-05</u>
Land and improvements	\$ 480,974	\$ 4,075	\$ -	\$ 485,049
Building and improvements	6,477,295	138,251	-	6,615,546
Equipment	224,903	29,000	(23,270)	230,633
Construction-in-progress	<u>42,571</u>	<u>81,733</u>	<u>(122,182)</u>	<u>2,122</u>
	7,225,743	\$ 253,059	<u>\$(145,452)</u>	7,333,350
Accumulated depreciation	<u>(4,840,006)</u>	<u>\$(361,863)</u>	<u>\$ 20,749</u>	<u>(5,181,120)</u>
Net capital assets	<u>\$ 2,385,737</u>			<u>\$ 2,152,230</u>

Depreciation expense for the year was \$361,863.

MENOMINEE HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

March 31, 2005

(Continued)

NOTE D - RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission maintains commercial insurance covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Commission. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE E - USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE F - CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The Commission is dependent upon the Department of Housing and Urban Development (HUD) to fund its operations through operating subsidies and capital funding grants. Total operating revenues for the year ended March 31, 2005 totaled \$857,593 of which \$563,070 or 6.57% was from HUD subsidies and grants.

The operations of the project are subject to rules and regulations of HUD. These rules and regulations are subject to change. Such changes may occur with short notice and could create a lack of funding to pay for operational related costs, including the additional administrative burden to comply with the changes.

NOTE G - PENSION PLAN

The City of Menominee contributes to the Michigan Municipal Employees Retirement System (MERS), a multiple-employer public retirement system that acts as a common investment and administrative agent for municipalities in the State of Michigan. The plan issues a stand-alone financial report.

All full-time and certain part-time City employees, except for Police and Fire employees, who are covered exclusively under the Police and Fireman Retirement System, are eligible to participate in the MERS. Benefits vest after 10 years of service. Normal retirement provisions of the MERS apply to participants who retire at or after age 60 with at least 10 years of credited service. Employees with 15 years of credited service may retire at or after age 55 with reduced benefits. Employees with 25 years or more of credited service may retire at or after age 50 with reduced benefits. Employees with 30 years of credited service may retire at or after age 55 with full benefits.



MENOMINEE HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

March 31, 2005

(Continued)

NOTE G— PENSION PLAN (Continued)

The annual retirement benefits of non-union, Teamsters, and Department Heads have a benefit which calls for benefits equal to 2 to 2.5 percent of average annual compensation for the last three years of employment multiplied by years of credited service with a maximum benefit of 80 percent of final average compensation.

Actuarial Accrued Liability

The actuarial accrued liability was determined as part of an actuarial valuation of the plan as of December 31, 2003. Significant actuarial assumptions used in determining the actuarial accrued liability include (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation and (c) additional salary increases of 0.00% to 4.16% per year, depending on age, attributable to merit and longevity.

All entries are based on the actuarial methods and assumptions that were used in the December 31, 2003 actuarial valuation to determine the annual employer contribution amounts. The entry age normal cost method was used to determine the entries at disclosure.

GASB 25 Information (as of 12-31-03)

Actuarial accrued liability:	
Retirees and beneficiaries currently receiving benefits	\$ 2,789,252
Terminated employees not yet receiving benefits	235,527
Current employees –	
Accumulated employee contributions including	
allocated investment income	166,503
Employer financed	<u>3,292,745</u>
Total actuarial accrued liability	\$ 6,484,027
Net assets available for benefits at actuarial value	<u>5,842,880</u>
(Market value is \$5,335,179)	
Unfunded (Overfunded) actuarial accrued liability	\$ <u>641,147</u>
Fiscal year beginning	9-01-05
Annual required contribution (ARC)	\$ <u>150,732</u>
Amortization factor used – Underfunded liabilities (30 years)	0.053632

*Based on valuation payroll, but the actual required contribution will be based on current monthly payroll (during the fiscal year beginning September 1, 2005) times the computed employer contribution rate.



MENOMINEE HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

March 31, 2005

(Continued)

NOTE G- PENSION PLAN (Continued)

GASB 27 Information

The employer contribution rate has been determined based on the entry age normal cost method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll required to amortize the unfounded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry-age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his or her projected benefit. The following table provides a schedule of contribution amounts and percentage of recent years.

<u>Year ended December 31,</u>	<u>Annual Required Contribution</u>	<u>Percent Contributed</u>
1999	\$ -	100%
2000	-	100%
2001	20,231	100%
2002	8,868	100%
2003	52,399	100%

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>(a) Actuarial Value of Assets</u>	<u>(b) Entry age Actuarial Liability</u>	<u>(b-a) Unfunded Accrued Liability (UAL)</u>	<u>(a/b) Funded Ratio</u>	<u>(c) Annual Covered Payroll</u>	<u>[(b-a)/c] UAL as a Percentage of Covered Payroll</u>
1999	\$ 5,498,655	\$ 4,800,831	\$ (697,824)	115%	\$ 821,873	85%
2000	5,769,112	5,461,037	(308,075)	106%	928,193	33%
2001	5,884,383	5,921,115	36,732	99%	530,787	7%
2002	5,727,331	6,126,064	398,733	93%	551,087	72%
2003	5,842,880	6,484,027	641,147	90%	616,522	104%

Membership of the plan consists of the following at December 31, 2003:

Active members	50
Vested former members	12
Retirees and beneficiaries	<u>45</u>
TOTAL	<u>107</u>



**SUPPLEMENTAL
INFORMATION**



ANDERSON, TACKMAN
& COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

MENOMINEE HOUSING COMMISSION

FINANCIAL DATA SCHEDULE
Proprietary Fund

March 31, 2005

Line Item #	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	TOTAL
<u>ASSETS</u>					
CURRENT ASSETS:					
Cash:					
111	Cash - unrestricted	\$ 56,923	\$ 22,192	\$ -	\$ 79,115
100	Total cash	56,923	22,192	-	79,115
Accounts and notes receivables:					
122	Accounts receivable- HUD Other Projects	-	8,514	1,822	10,336
125	Accounts receivable- Miscellaneous	900	-	-	900
126	Accounts receivable- tenants	1,006	-	-	1,006
126.1	Allowance for doubtful accounts - tenants	-	-	-	-
129	Accrued interest receivable	-	254	-	254
120	Total receivables, net of allowances for doubtful accounts	1,906	8,768	1,822	12,496
Other current assets:					
131	Investments	532,844	21,675	-	554,519
142	Prepaid expenses	21,925	428	-	22,353
144	Interprogram due from	5,156	-	-	5,156
150	TOTAL CURRENT ASSETS	618,754	53,063	1,822	673,639

See accompanying notes to financial statements



ANDERSON, TACKMAN
& COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

MENOMINEE HOUSING COMMISSION

FINANCIAL DATA SCHEDULE
Proprietary Fund

March 31, 2005

Line Item #	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	TOTAL
NONCURRENT ASSETS:					
Fixed assets:					
161	Land	77,371	-	-	77,371
162	Buildings	6,495,415	2,024	118,107	6,615,546
163	Furniture, equipment & machinery - dwellings	64,600	-	18,876	83,476
164	Furniture, equipment & machinery - administration	61,432	41,208	44,518	147,158
165	Leasehold improvements	403,602	-	4,075	407,677
166	Accumulated depreciation	(5,145,905)	(21,924)	(13,291)	(5,181,120)
167	Construction in progress	-	-	2,122	2,122
160	Total fixed assets, net of accumulated depreciation	1,956,515	21,308	174,407	2,152,230
180	TOTAL NONCURRENT ASSETS	1,956,515	21,308	174,407	2,152,230
190	TOTAL ASSETS	\$ 2,575,269	\$ 74,371	\$ 176,229	\$ 2,825,869

LIABILITIES AND NET ASSETS

LIABILITIES:

CURRENT LIABILITIES

312	Accounts payable ≤ 90 days	\$ 24,594	\$ 2,003	\$ -	\$ 26,597
321	Accrued wages / payroll taxes payable	14,081	1,441	-	15,522

See accompanying notes to financial statements



ANDERSON, TACKMAN
& COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

MENOMINEE HOUSING COMMISSION

FINANCIAL DATA SCHEDULE
Proprietary Fund

March 31, 2005

Line Item #	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	TOTAL
322	Accrued compensated absences - current portion	10,732	1,362	-	12,094
333	Accounts payable - other government	8,854	-	-	8,854
341	Tenant security deposits	19,842	-	-	19,842
342	Deferred revenues	6,386	-	-	6,386
347	Interprogram due from	-	3,334	1,822	5,156
310	TOTAL CURRENT LIABILITIES	84,489	8,140	1,822	94,451
354	Accrued compensated absences - non current	13,967	1,646	-	15,613
350	TOTAL NONCURRENT LIABILITIES	13,967	1,646	-	15,613
300	TOTAL LIABILITIES	98,456	9,786	1,822	110,064
<u>NET ASSETS</u>					
508.1	Investment in capital assets, net of related debt	1,956,515	21,308	174,407	2,152,230
512.1	Unrestricted net assets	520,298	43,277	-	563,575
513	TOTAL NET ASSETS	2,476,813	64,585	174,407	2,715,805
600	TOTAL LIABILITIES AND NET ASSETS	\$ 2,575,269	\$ 74,371	\$ 176,229	\$ 2,825,869

See accompanying notes to financial statements



ANDERSON, TACKMAN
& COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

MENOMINEE HOUSING COMMISSION

FINANCIAL DATA SCHEDULE
Proprietary Fund

For the Year Ended March 31, 2005

Line Item #	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	TOTAL
<u>REVENUES</u>					
703	Net tenant rental revenue	\$ 272,653	\$ -	\$ -	\$ 272,653
704	Tenant revenue - other	15,105	-	-	15,105
705	Total tenant revenue	287,758	-	-	287,758
706	HUD PHA grants	199,819	219,841	33,859	453,519
706.1	Capital grants	-	-	109,551	109,551
711	Investment income - unrestricted	6,084	481	-	6,565
714	Fraud recovery	-	234	-	234
715	Other revenue	6,531	-	-	6,531
716	Gain / loss on sale of fixed assets	1,978	-	-	1,978
700	TOTAL REVENUE	502,170	220,556	143,410	866,136
<u>EXPENSES</u>					
Administrative:					
911	Administrative salaries	65,558	14,439	-	79,997
912	Auditing fees	1,500	800	-	2,300

See accompanying notes to financial statements



ANDERSON, TACKMAN
& COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

MENOMINEE HOUSING COMMISSION

**FINANCIAL DATA SCHEDULE
Proprietary Fund**

For the Year Ended March 31, 2005

Line Item #	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	TOTAL
914	Compensated absences	4,698	630	-	5,328
915	Employee benefit contributions- administrative	25,468	6,586	-	32,054
916	Other operating- administrative	27,911	9,263	-	37,174
	Total Administrative	125,135	31,718	-	156,853
	Tenant services:				
924	Tenant services - other	6,565	-	-	6,565
	Utilities:				
931	Water	24,945	-	-	24,945
932	Electricity	21,834	-	-	21,834
933	Gas	24,575	-	-	24,575
	Total Utilities	71,354	-	-	71,354
	Maintenance:				
941	Ordinary maintenance and operations - labor	76,511	-	-	76,511
942	Ordinary maintenance and operations - materials & other	31,976	-	-	31,976
943	Ordinary maintenance and operations - contract costs	55,016	-	-	55,016
945	Employee benefit contributions- ordinary maintenance	34,877	-	-	34,877
	Total Maintenance	198,380	-	-	198,380

See accompanying notes to financial statements



ANDERSON, TACKMAN
& COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

MENOMINEE HOUSING COMMISSION

FINANCIAL DATA SCHEDULE
Proprietary Fund

For the Year Ended March 31, 2005

Line Item #	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	TOTAL
General expenses:					
961	Insurance premiums	26,381	-	-	26,381
962	Other general expenses	-	91	-	91
963	Payments in lieu of taxes	8,854	-	-	8,854
964	Bad debts - tenant rents	1,936	-	-	1,936
	Total General Expenses	37,171	91	-	37,262
969	TOTAL OPERATING EXPENSES	438,605	31,809	-	470,414
970	EXCESS OPERATING REVENUE OVER OPERATING EXPENSES	63,565	188,747	143,410	395,722
973	Housing assistance payments	-	191,977	-	191,977
974	Depreciation expense	346,150	4,817	10,896	361,863
900	TOTAL EXPENSES	784,755	228,603	10,896	1,024,254

See accompanying notes to financial statements



ANDERSON, TACKMAN
& COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

MENOMINEE HOUSING COMMISSION

FINANCIAL DATA SCHEDULE
Proprietary Fund

For the Year Ended March 31, 2005

Line Item #	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	TOTAL
Other financing sources (uses)					
1001	Operating transfers in	33,859	-	-	33,859
1002	Operating transfers out	-	-	(33,859)	(33,859)
1010	Total other financing sources (uses)	33,859	-	(33,859)	-
1000	EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER (UNDER) TOTAL EXPENSES	\$ (248,726)	\$ (8,047)	\$ 98,655	\$ (158,118)
MEMO account information					
1103	Beginning equity	\$ 2,583,515	\$ 73,625	\$ 217,776	\$ 2,874,916
1104	Prior Period Adjustments, Equity Transfers	\$ 142,024	\$ (993)	\$ (142,024)	\$ (993)
1113	Maximum Annual Contributions Commitment (Per ACC)	\$ -	\$ 211,327	\$ -	\$ 211,327
1115	Contingency Reserve, ACC Program Reserve	\$ -	\$ 22,460	\$ -	\$ 22,460
1116	Total Annual Contributions Available	\$ -	\$ 233,787	\$ -	\$ 233,787
1120	Unit months available	1,524	732	-	2,256
1121	Number of unit months leased	1,502	710	-	2,212

See accompanying notes to financial statements



MENOMINEE HOUSING COMMISSION

FEDERAL AUDIT REPORTS

For the Year Ended March 31, 2005

MENOMINEE HOUSING COMMISSION

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
"GOVERNMENT AUDITING STANDARDS"**

Board of Commissioners
Menominee Housing Commission
Menominee, Michigan

We have audited the financial statements of the business-type activities of the Menominee Housing Commission, as of and for the year ended March 31, 2005, which collectively comprise the Menominee Housing Commission's basic financial statements and have issued our report thereon dated June 28, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Menominee Housing Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Menominee Housing Commission's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under "Government Auditing Standards". However, we noted certain immaterial instances of noncompliance that we have reported to management of the Menominee Housing Commission in a separate letter dated June 28, 2005.

This report is intended solely for the information of the Board of Commissioners, management and the Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than those specified parties.

Anderson Tackman & Co. P.C.

ANDERSON, TACKMAN & COMPANY, P.L.C.
Certified Public Accountants
Iron Mountain, Michigan

June 28, 2005

ANDERSON, TACKMAN
& COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS



**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133**

Board of Commissioners
Menominee Housing Commission
Menominee, Michigan

Compliance

We have audited the compliance of Menominee Housing Commission with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" that are applicable to each of its major federal programs for the year ended March 31, 2005. Menominee Housing Commission's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Menominee Housing Commission's management. Our responsibility is to express an opinion on Menominee Housing Commission's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Menominee Housing Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Menominee Housing Commission's compliance with those requirements.

In our opinion Menominee Housing Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended March 31, 2005.

Internal Control Over Compliance

The management of Menominee Housing Commission is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Menominee Housing Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133
(Continued)**

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants, that would be material in relation to a major federal program being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Anderson Tackman & Co. PLC

ANDERSON, TACKMAN & COMPANY, PLC
Certified Public Accountants
Iron Mountain, Michigan

June 28, 2005

ANDERSON, TACKMAN
& COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS



MENOMINEE HOUSING COMMISSION

For the Year Ended March 31, 2005

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

<u>Federal Grantor/Pass Through Grantor</u>	<u>Federal CFDA Number</u>	<u>Award Amount</u>	<u>Expended as of 3-31-03</u>	<u>3-31-05 Federal Expenditures</u>
Operating Subsidy	14.850	\$ <u>199,819</u>	\$ _____ -	\$ <u>199,819</u>
Section 8 Rental Voucher	14.871	\$ <u>219,841</u>	\$ _____ -	\$ <u>219,841</u>
Capital Funding	14.872			
501-03		\$ 172,173	\$ 123,016	\$ 49,157
501-03		34,313	-	34,313
502-04		<u>199,395</u>	_____ -	<u>59,940</u>
		\$ <u>405,881</u>	\$ <u>123,016</u>	\$ <u>143,410</u>
Total Department of Housing and Urban Development				\$ <u>563,070</u>
TOTAL FEDERAL EXPENDITURES				\$ <u>563,070</u>

See accompanying notes to the schedule of expenditures of federal awards.



MENOMINEE HOUSING COMMISSION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended March 31, 2005

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Menominee Housing Commission and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

NOTE B - COST REPORTS

Management has reported the expenditures in the Schedule of Expenditures of Federal Awards equal to those amounts reported in the modernization cost reports.



MENOMINEE HOUSING COMMISSION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended March 31, 2005

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion of the general purpose financial statements of the Menominee Housing Commission.
2. There were no reportable conditions relating to the audit of the general purpose financial statements.
3. There were no instances of noncompliance material to the general purpose financial statements of the Menominee Housing Commission.
4. There were no reportable conditions relating to the audit of the major federal award programs as reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs for the Menominee Housing Commission expresses an unqualified opinion.
6. There were no audit findings relative to the major federal award programs for the Menominee Housing Commission.
7. The programs tested as major programs included:
 - A. Capital Fund – CFDA 14.872
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Menominee Housing Commission was determined to be a low-risk auditee.

B. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

1. There were no findings or questioned costs.

C. PRIOR FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

1. There were no prior findings or questioned costs.



ANDERSON, TACKMAN & COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

A Regional Firm with Offices in Michigan and Wisconsin

Principals - Iron Mountain:
L. Robert Schaut, CPA
David J. Johnson, CPA
Shane M. Ellison, CPA

Member of:
Private Companies Practice Section
American Institute of Certified
Public Accountants

June 28, 2005

Board of Commissioners
Menominee Housing Commission
Menominee, Michigan

Dear Members of the Board:

In planning and performing our audit of the financial statements of the Menominee Housing Commission for the year ended March 31, 2005, we considered the entities internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

During our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The following summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated June 28, 2005, on the financial statements of the Menominee Housing Commission.

1. During the review of cash and investments, it was noted that the Commission did not have depository agreements in place with all the banks it does business with.

Recommendation

The Commission should have policies and procedures in place so as to require each bank it does business with to sign a depository agreement with the Commission. The ACC contract with HUD states that the Commission is required to have depository agreements signed by all financial institutions it does business with. The depository agreement states that the financial institution will insure any of the Commission's funds that exceed \$100,000.

Menominee Housing Commission

June 28, 2005

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We thank you for the opportunity to be of service. Do not hesitate to contact us if you have any questions. I found your staff to be very cooperative and a pleasure to work with.

Very truly yours,

ANDERSON, TACKMAN & COMPANY, PLC

A handwritten signature in black ink, appearing to read "Shane M. Ellison", is written over a horizontal line.

Shane M. Ellison, CPA
Principal